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RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0785/01 2520937
ZNR UUUUU ZZH
R 080937Z SEP 08
FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3399
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2060
RUEHAR/AMEMBASSY ACCRA 2269
RUEHDS/AMEMBASSY ADDIS ABABA 2389
RUEHRL/AMEMBASSY BERLIN 0914
RUEHBY/AMEMBASSY CANBERRA 1666
RUEHDK/AMEMBASSY DAKAR 2022
RUEHKM/AMEMBASSY KAMPALA 2443
RUEHNR/AMEMBASSY NAIROBI 4875
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1538
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000785

AF/S FOR G.GARLAND
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 9-5-2008

1. SUMMARY

Topics of the week:

- Talks to Continue Monday...
- NGO Ban Lifted...
- Back to School, if You Can Pay...
- MDC MPs Ejected from Swearing-in...
- Mugabe and Tsvangirai attend Mwanawasa funeral...
- ZBC Television turns to Korea...
- Britain Eases Travel Advice...
- Survey says...
- Banks Benefiting Short-Term from State Spending...
- Inflation Rages On...
- Reserve Bank Seeking Local Solution for Banknote Paper Supply...
- World Bank Officials Visit Harare...
- Tobacco Board Concedes Poor Crop...
- Levy On Generators Scrapped...
- Local Conglomerate Expands Outside Zimbabwe...

2. Price Movements-Exchange Rate and Selected Products

Parallel rate for cash rose to Z\$235:US\$1

Bank transfer more than doubled to Z\$5500:US\$1 against inter-bank average of Z\$46.03:US\$1

Bread on the parallel market rose by half to Z\$450

Sugar almost doubled to Z\$500/2kg

Cooking oil remained static at Z\$90/750ml

Petrol and diesel rose by two-thirds to Z\$500/liter

On the Political/Social Front

¶3. Talks to Continue Monday... Renewed ZANU-PF - MDC talks had been expected to resume on Thursday and Zimbabwean president Robert Mugabe threatened to appoint a cabinet if an agreement was not reached by the weekend. MDC president Morgan Tsvangirai, however, decided to postpone his return to Harare after attending former Zambian president Mwanawasa's funeral in Lusaka and South African president Thabo Mbeki accordingly delayed his trip to Harare. Mbeki is now planning to travel to Harare on Monday in a last-ditch effort to reach a deal. The obstacle still remains an agreement on the distribution of executive power between Mugabe as president and Tsvangirai as prime minister.

¶4. NGO Ban Lifted... The Government lifted the suspension on NGO field operations on August 29, allowing humanitarian assistance and vital food aid distribution to recommence. However, a debate continues among human rights and democracy-building organizations as to whether their activities are still "banned". See Harare 765 and ¶778.

¶5. Back to School, if You Can Pay... Most schools started this week. Despite its illegality, many private schools are demanding payment in foreign currency, gas coupons, and even livestock. See Harare 767.

¶6. MDC MPs Ejected from Swearing-in... The swearing-in ceremony

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for the Makoni rural council was violently interrupted on September 2, when eight losing ZANU-PF councilor candidates arrived, demanding to be sworn in. Tensions quickly rose and the 23 MDC councilors-elect, three MDC MPs, and their supporters were forcibly removed by riot police and ZANU militia that were called by the District Administrator. The 16 ZANU elected councilors and the eight losing ZANU councilors were then sworn in. Monica Chinamasa (Senator Patrick Chinamasa's wife) and David Mutasa (National Security Minister Didymus Mutasa's cousin) were among the eight who apparently appointed themselves to the council. David Mutasa was then "elected" Chairman of the Council.

¶7. Mugabe and Tsvangirai attend Mwanawasa funeral... Both Robert Mugabe and Morgan Tsvangirai attend the funeral of Zambian President Levy Mwanawasa in Lusaka on September 3. Mugabe surprised many by praising Mwanawasa as a "frank and honest man". Mwanawasa was the first African president to openly criticize the Mugabe regime when he likened it to a "sinking titanic".

¶8. ZBC Television turns to Korea... Cash strapped state broadcaster, ZBC TV, launched a new programming schedule this week that will feature South Korean dramas and comedies, in addition to locally produced dramas and talk shows. The new schedule runs until December 2.

¶9. Britain Eases Travel Advice... Citing decreased post-election violence, the Foreign Office downgraded its advice against all but essential travel to Zimbabwe on August 27, effectively putting British advice in-line with U.S. guidance.

¶10. Survey says... A Gallup poll conducted before the March 29 elections pegged Mugabe's approval rating at a pitiful 17%. In contrast, Mugabe declared victory in the June 27 election with a whopping 86% of the vote. See: <http://www.gallup.com/poll/109963/Most-Zimbabweans-Disapprove-Their-Leadership.aspx>.

On the Economic and Business Front

¶11. Banks Benefiting Short-Term from State Spending... The bank liquidity crisis of late 2007/early 2008 has abated, perversely due to high election-related government expenditure. The spending has

caused explosive growth in money supply and hyperinflation. When Zimbabwe returns to sound macroeconomic policies, the downside risks to the banking sector will be high. See Harare 773.

¶12. Inflation Rages On... Although official statistics put year-on-year rate inflation for June at 11.2 million percent, reliable private estimates put the rate at close to 10 billion percent in August, with food inflation close to 8 billion percent. Supply side rigidities and the precipitate depreciation of the Zimbabwe dollar on the parallel market have been largely responsible for the rise.

¶13. Reserve Bank Seeking Local Solution for Banknote Paper Supply... See Harare 760.

¶14. World Bank Officials Visit Harare... Three World Bank officials visited Harare the week of August 18 to brief donors on developments related to the Multi Donor Trust Fund and to take the pulse of the economy. Maputo-based country director Michael Baxter said the World Bank had geared up to re-engage with Zimbabwe once policies came right, but at the end of his visit he saw the chances of the Bank moving forward on Zimbabwe receding. See Harare 777.

¶15. Tobacco Board Concedes Poor Crop... Tobacco Industry Marketing

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Board Acting CEO Dr. Andrew Matibiri told us the 2008/09 tobacco crop would likely be about 55 million kg, close to the post-independence low. In addition, growers were holding back deliveries to the auction floor due to high transportation costs, the unfavorable inter-bank exchange rate, and dearth of inputs, even on the black market, for purchase with their quickly depreciating proceeds. Matibiri described the state of seedbed preparation for next year's crop as "very poor and very late."

¶16. Levy On Generators Scrapped... The ill-advised US dollar levy on domestic and industrial generators introduced two weeks ago has been scrapped.

¶17. Local Conglomerate Expands Outside Zimbabwe... Having expanded beyond its local presence in tourism, insurance, and the fertilizer industry, 72% of TA Holdings' balance sheet is now outside Zimbabwe and 50% of the company's assets are financial. With little debt, Zimbabwe's second largest conglomerate, is seeking further acquisitions in Zimbabwe and beyond. TA's Sable Chemicals had contributed 45% to the group's balance sheet as recently as four years ago, but under price controls the fertilizer plant is now operating at only 17% capacity.

Quote of the Week

¶18. Crisis? What crisis? Information and Publicity Minister Sikhanyiso Ndlovu in an interview on September 2:
"We have organizations which call themselves 'Crisis in Zimbabwe'. What crisis are they talking about? They are the ones who are encouraging the crisis, and as a government we cannot accept that."

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